

DONALD TRUMP

Trump Org: a magnet for dirty businessmen

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TRUMP ORG: a magnet for dirty businessmen

Many of the organization's international partners have faced scandals involving corruption, fraud, money laundering and drug trafficking. Here's an in-depth look at the company's licensing business around the world, focusing on controversial projects in Mexico, Brazil, Dominican Republic and Panama.

By **Inti Pacheco, Manuela Andreoni, Alex Mierjeski and Keenan Chen**

In late 1997, Donald Trump was beginning to bounce back from near financial ruin. Two years earlier, his financial losses had totaled \$916 million following a string of bankruptcies at Trump casinos and other properties earlier in

estate business.

In Seoul, South Korea, a proposed tower on the banks of the Han River needed a name to convey luxury to prospective buyers. The project's developer, the Daewoo Group, wanted to pay Trump for the use of his name, nothing more. Under the arrangement, Trump would receive a branding fee and a percentage of the building's annual revenue, a strategy that is common among international hospitality brands.

✓ VIDEO: THIS IS HOW THE TRUMP
LICENSING BUSINESS WORKS



The deal helped define a substantial part of the Trump Organization's business strategy over the next two decades, and it launched the Trump brand onto the global stage. After signing the [first deal](#) with Daewoo in 1999, Trump went on to work with at least 25 different global partners on 27 similar projects up to now. The Trump Organization has had plans to lend its name to hotels and towers in 17 countries.

According to Wallach, anyone can become a Trump partner, as long as they're willing to pay his fee.

~ IN THE PAST 20 YEARS, THE REAL ESTATE MOGUL HAS SIGNED DEALS WITH DEVELOPERS IN 17 COUNTRIES



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| 1 Villa Trump Brazil BRAZIL | 15 Trump Tower Century City PHILIPPINES |
| 2 Trump Towers Istanbul TURKEY | 16 Trump Cap Cana DOMINICAN R. |
| 3 Trump Tower Batumi GEORGIA | 17 Int. Golf Club Dubai UAE |
| 4 Trump International Baku AZERBAIJAN | 18 Trump Ocean Club Panama PANAMA |
| 5 World Golf Club Dubai UAE | 19 Elite Tower ISRAEL |
| 6 Trump Towers Rio BRAZIL | 20 Trump Tower Mumbai INDIA |
| 7 Trump Hotel Rio BRAZIL | 21 Trump Baja Mexico MEXICO |
| 8 Trump Tower Dubai UAE | 22 Trump Tower Lido Lake INDONESIA |
| 9 Trump Tower Vancouver CANADA | 23 Trump Tower Bali INDONESIA |
| 10 Trump Tower Punta del Este URUGUAY | 24 Trump Tower Toronto CANADA |
| 11 Trump Towers Pune INDIA | 25 Trump Tower Delhi NCR INDIA |
| 12 Trump Towers Gurgaon INDIA | 26 Trump Island Villas SAINT VINCENT AND THE GRENADINES |
| 13 Trump Tower Kolkata INDIA | 27 Trumpworld South Korea SOUTH KOREA |
| 14 Trump Int. Golf Club PUERTO RICO | |

Fifteen of these 27 international Trump-branded projects include developers or investors who have faced criminal allegations, an investigation by Univision and [Columbia](#)

allegations that their partners faced before signing the contract.

The cases involve development company principals, the companies themselves, a broker for the Trump brand or a major investor being targeted by law enforcement action.

Univision and Columbia Journalism Investigations spoke by phone with Trump-lawyer, Alan Garten, in January seeking comment for this report. Upon his request, detailed questions were submitted by email. At the time of publication Garten had not

responded, despite several follow-up phone calls and emails.

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Eight projects involved a principal from a development company, a brand broker or an investor who was convicted of a crime. Seven other projects involved participants investigated by foreign governments.

“ THEY DON'T DO DUE DILIGENCE ”

An examination of federal investigations, court records, contracts and corporate records shows that Trump's partners faced an array of allegations including money laundering, bribery, corruption and transnational drug trafficking. According to [The Boston Globe](#), Wallach was arrested 15 times in five states for crimes such as forgery and grand larceny before being hired by Trump. He worked for the Trump Organization from 1990 to about 2001 or 2002.

"Donald doesn't do due diligence on anything, no matter what it is," Wallach said. "He works by his gut – his gut directs him on projects, on whatever he's working on."



OVERVIEW MEXICO DOMINICAN R. BRAZIL PANAMA

company's buildings had acquired the Trump name.

✓ THE 13 PARTNERS, BROKERS OR INVESTORS WHO HAVE FACED CRIMINAL ALLEGATIONS



But unlike in South Korea, it would have been easier for compliance experts to spot criminal allegations in at least seven of the projects due to the existence of public records.

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This investigation includes deals for which the Trump Organization created specific limited liability companies to license its brand or manage a property, where marketing materials suggest some form of contract was signed, or where documents show the company was paid.

The findings call into question whether Trump and his adult children properly vetted potential partnering companies and their executives before contracts were signed. The Trump Organization maintains that its procedures for due diligence on new projects are rigorous, but the company has not disclosed what that

of a number of potential partners, but the Trump Organization was either unaware of the warning signs or chose to ignore them.

“ HE WAS WILLING TO DO
BUSINESS WITH PEOPLE WHEN
OTHERS WEREN'T ”

In Brazil, one investor was charged with fraud – although he was later acquitted – while another was charged with setting up a scheme for

exclusive access to government contracts and larceny. In Turkey, the broker for the Trump brand was sentenced to six years in prison for drug trafficking. An early partner in Toronto was convicted of fraud and embezzlement, and a major shareholder of the developer in Vancouver went to prison for permitting a false report to be filed with financial authorities. In the United Arab Emirates, a developer partnering with the Trump Organization was convicted of corruption by a court in Egypt.

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According to one former Trump Organization executive, who spoke on the condition of anonymity, no due diligence was carried out on partners in Toronto. The developer, Leib Waldman, was excluded from the project after news reports about his convictions came to light in 2002.

Michel Rodriguez, a former director of finance at Trump's Dominican partner, Cap Cana S.A., said the Trump Organization did not perform any due diligence on the company. "They don't do due diligence," he said.

Usually due diligence is done with the collaboration of the company in question, but it can also be done without it.





In 2009, the Trump Organization did pay for an audit of Cap Cana's accounts, but only to find out how much the company owed the organization. That same year, the local Supreme Court ordered prosecutors to investigate one of Cap Cana's shareholders after a disgruntled partner filed a complaint against him and others in court, accusing them of fraud and money laundering. No one at Cap Cana was charged.

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In the country of Georgia, Trump's partners paid for a limited due diligence report about themselves to discredit allegations that one of the main shareholders was involved in a criminal organization. The report failed to mention the company's close relationship with

a defrauded bank, which prompted an investigation by local prosecutors in 2013, the year after the Silk Road Group partnered with the Trump Organization. No criminal charges were brought against anyone in the Silk Road Group, and a settlement between the company and the defrauded bank was signed in 2014.

Jan deRoos, a professor of hotel finance and real estate at Cornell University, said the standard process in the hotel industry is to underwrite the deal itself. International chains that license out their names, such as Hilton or Marriott, typically analyze the local market, the sponsor and the project before agreeing to anything. DeRoos describes the process as a three-legged stool: "Any one of them doesn't pass and it falls

the Trump Organization, deRoos said. "He was willing to do business with people when others weren't," he said of Trump.

In the past, when the media revealed criminal ties involving Trump business partners, members of the Trump Organization defended the company by saying they had no knowledge of wrongdoing. They claimed their participation was limited to licensing, a type of contract experts say doesn't typically entail legal liability for any eventual criminal behavior a project might profit from.

L. Burke Files, president of the International Due Diligence Organization, said the Trump Organization's approach to due diligence is not unusual. "For the most part, the efforts made by international businessmen on due diligence is atrocious," he said. "They're more often interested in concluding the deal than figuring out who their counterparties are."

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In the end, the Trump Organization got what it wanted, he said.

"They paid him a \$10 million licensing fee, what does he care?" Files said. "He's not an owner. He's not a partner. He's a licensing agent."

After Trump's election as president of the United States in 2016, the need for due diligence is arguably greater than when he was an ordinary citizen. During the last year there has been intense public debate over potential conflict of interest between the Trump brand and his public office.

A strategy that often fails

Due diligence isn't only used to determine a company's potential ties to criminal activity; it's also necessary to assess whether a project is financially viable. It is unclear if the Trump Organization attempted to financially assess its partners, but only six of the 27 international



abandoned or had the Trump name removed.

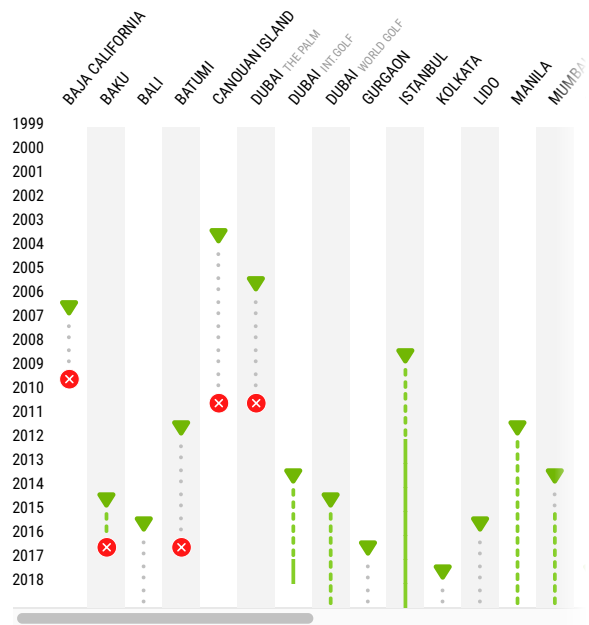
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Last week, Donald Trump Jr. visited India to pursue one of those projects.

Several Trump projects around the world faced financial hurdles that eventually led to their failure, or bankruptcy issues. Trump Ocean Club in Panama, Trump International Hotel and Tower Toronto and a golf course in Puerto Rico all went bankrupt after completion. Plans failed to reach the construction phase in projects in Mexico, Israel, Georgia, Dubai, and in two separate projects in Brazil.

WHAT HAPPENED TO TRUMP-BRANDED INTERNATIONAL PROJECTS?

27 were announced, but 11 already have failed or removed the brand



The role of politicians

A detailed analysis of a number of those partnerships reveal links to high-ranking politicians in the countries visited by the Trumps. Over half of Trump's 25 foreign partners were closely connected to political figures in their home countries.

The chairman of Lodha Group, Trump's partner in Mumbai, India, is also vice president of the ruling party in the Indian Parliament. A former official at the mayor's office in Rio de Janeiro was the leading figure in a hotel project in the

city. Jorge Subero, a vicepresident at Cap Cana, the development partner in the Dominican Republic, is the son of the former president of the country's supreme court.

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In other instances, politicians played the part of brokers. In Georgia, former President Mikhail Saakashvili was present in several meetings between the developers and Trump. In 2012, the president showed his appreciation in front of the cameras by claiming Trump was making a \$250 million investment in his country, when Trump actually was getting paid to license his name to the developer. The Trump project never got off the ground, and the two sides announced a split in late 2016.

Ricardo Martinelli, who was Panama's president when the Trump Ocean Club Panama was inaugurated in 2011, also thanked Trump for an investment Trump did not make. "We want to thank Mr. Trump for coming to Panama, investing in Panama," Martinelli said at the project's inauguration event. "And for giving us Panamanians one of the most important and beautiful buildings in Panama City."

“ IT IS A VERY IMPORTANT PART
OF OUR BUSINESS. WE ARE A



OVERVIEW MEXICO DOMINICAN R. BRAZIL PANAMA

The Panama tower received a substantial tax break that exempted any imports for construction and all revenue generated in the first 10 years.

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Our investigation confirmed that Trump-branded projects received tax incentives in at least four other countries. Projects that failed in Georgia, Brazil, Puerto Rico and the Dominican Republic all received government support. There is no evidence that the incentives were due to local partners being politically connected or that the Trump Organization had any part in obtaining them.



A family business

Trump and his family have made millions of dollars from these marketing strategies, lending the impression that Trump and his company were co-developers or equity investors. In reality, his involvement was limited to the licensing of his name or the management of a hotel or golf resort. Univision found this to be the case in projects planned for Georgia, Mexico, Panama, the Dominican Republic, Brazil and Azerbaijan.

Hundreds of buyers in the failed Trump Ocean Resort in Baja California, Mexico, filed a lawsuit claiming that Trump and his children, Ivanka and Donald Trump Jr. participated in a



project and in misleading buyers, the complaint alleged. The developers eventually agreed to a \$7.2 million settlement to avoid litigation. The Trumps also agreed to pay a settlement for an undisclosed amount.

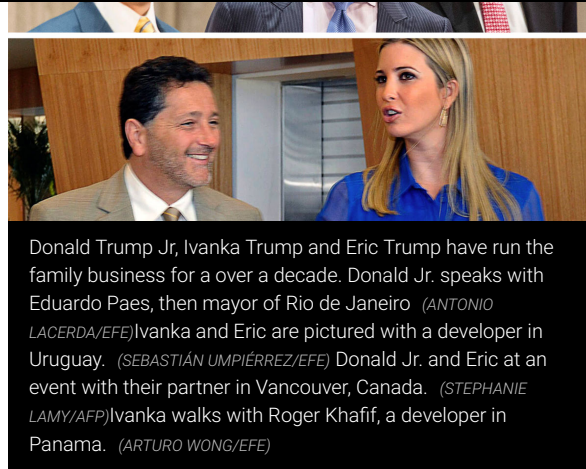
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Ivanka, Donald Jr. and Eric Trump have managed the family brand for over a decade. Since 2006, when a deal was struck to build the Trump Ocean Club in Panama, they have traveled the world meeting potential partners and looking for new investors. They have represented the Trump brand and met with partners in Dubai, Panama, Mexico, Canada, Brazil, India, Uruguay, the Dominican Republic, Turkey, Azerbaijan and Indonesia.

Ivanka Trump explained during a 2011 deposition for a lawsuit related to a failed Trump-licensed project in Tampa, Florida, that both partnerships and licensing agreements work the same: The Trump children have initial meetings with potential partners, and "if we think the partners are credible partners ... then we will introduce those people or introduce that project to my father," Ivanka Trump said. Donald Trump then decided if a project should move forward.

In his deposition for the same lawsuit, Eric Trump acknowledged the value of having the entire family involved in each project. "It is a very important part of our business," he said. "We are a family-run business."





In recent months, Donald Trump's children have faced scrutiny for their participation in the company's dealings. An October article by ProPublica, WNYC and The New Yorker described how Ivanka Trump and Donald Trump Jr. were close to being charged with fraud in 2012 for giving false information about sales numbers to prospective buyers of the Trump SoHo project in New York.

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There is no evidence that the Trump Organization violated any laws in its international deals. Of the 27 projects, three have been subject to investigations by local prosecutors: two in Brazil and one in India. No one from the Trump Organization has been charged or directly implicated in those investigations.

The pattern of failing to conduct due diligence or deciding to ignore red flags when accepting new partners shows that the Trump Organization has taken legal risks by accepting money from people involved in corruption or criminal enterprises. But if criminal activity was found in any of these projects, it is unclear if Trump or his family would be criminally liable.

Being paid with proceeds of a crime is considered money laundering. Stefan Cassella, former deputy chief of the U.S. Justice Department's Asset Forfeiture and Money

a particular operation are obviously the product of criminal proceeds, and whether one was aware of it.

Cassella also mentioned the concept of willful blindness, in which “you willfully try not to learn the source of the money.” In that case, a person could be held criminally liable.

The Foreign Corrupt Practices Act (FCPA) bars U.S. companies from profiting when bribes are paid to foreign officials. However not a single FCPA case has ever been brought against a U.S.

company that licensed its name to a local partner found guilty of committing a crime.

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The licensing agreements reviewed by Univision contain clauses that protect the Trump Organization and allow it to opt out if a partner is convicted of a crime or felony. Additionally, as two of the contracts show, if a partner joins a money laundering scheme, they are required to notify the Trump Organization in writing that they did so. The partner is also expected to confirm that they were not involved in money laundering at the time the deal was signed.

To date, these specific sections haven't been publicly cited as a cause for separation between the Trump Organization and any of its partners, according to legal documents and news reports.

Even if a project is facing a criminal investigation or fending off financial ruin, Trump still makes money. In Brazil, as partners faced a federal probe, the Trump Organization stepped away from the deal and presented a bill for \$32.7 million. It's unclear how much of it was paid. And in the Dominican Republic, after the project was bailed out by a government-owned bank, the Trumps charged the company for their cut. Nothing was ever built.

"As far as Donald's concerned, screw the partner as much as you can and don't think about the future, just think about the present," he said.

"Maximize what I get out of the deal, and go on from there."

Contributors: Columbia Journalism School's 2017 Using Data to Investigate Across Borders class, Jeremy Blackman, Ritu Sarin (The Indian Express) and The Toronto Star.

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A special report by Univision News & Columbia Journalism School

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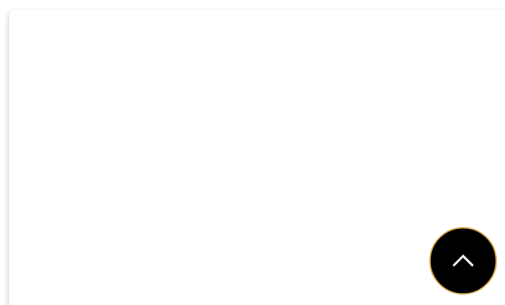
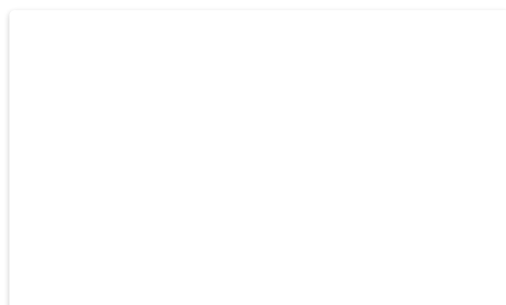
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